

**REPORT OF THE AUDIT OF THE  
FAYETTE COUNTY  
CLERK**

**For The Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FAYETTE COUNTY CLERK**

**For The Year Ended  
December 31, 2001**

The Auditor of Public Accounts has completed the Fayette County Clerk's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fee account balances increased by \$1,053,324 from the prior calendar year, resulting in a cash surplus of \$2,924,490 as of December 31, 2001. Revenues increased by \$3,237,468 from the prior year and disbursements increased by \$2,841,829.

#### **Deposits:**

The Clerk's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Teresa Isaac, Mayor, Lexington/Fayette Urban County Government  
Honorable Sandra Varellas, Fayette County Judge/Executive  
Honorable Donald W. Blevins, Fayette County Clerk  
Members of the Fayette County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Clerk of Fayette County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2001. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Teresa Isaac, Mayor, Lexington/Fayette Urban County Government

Honorable Sandra Varellas, Fayette County Judge/Executive

Honorable Donald W. Blevins, Fayette County Clerk

Members of the Fayette County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 18, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -

April 18, 2003

FAYETTE COUNTY  
DONALD W. BLEVINS, COUNTY CLERK  
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For The Year Ended December 31, 2001

Receipts

State Fees For Services		\$	97,199
Fiscal Court			34,428
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	5,675,422	
Usage Tax		33,158,994	
Tangible Personal Property Tax		17,205,796	
Miscellaneous Clerk Fees		274,476	
Child Assistance Donation		4,593	
Licenses-			
Marriage		71,630	
Professional Bond		31,220	
Deed Transfer Tax		1,445,548	
Delinquent Taxes		<u>1,678,648</u>	59,546,327
Fees Collected for Services:			
Recordings-			
Deeds, Easements and Contracts	\$	136,445	
Real Estate Mortgages		664,865	
Chattel Mortgages and Financing Statements		518,929	
Lien Holder Penalties		17,882	
Powers of Attorney		19,359	
Leases		3,003	
Affidavits		2,014	
Articles of Incorporation		17,782	
Assignments		61,513	
Assumed Names		2,776	
Releases		161,165	
Liens/Lis Pendens		32,221	
Data Processing		4,725	
Plats		6,095	
All Other Recordings		45,292	
Charges for Other Services-			
Postage		222,317	
Copywork		<u>152,194</u>	2,068,577

The accompanying notes are an integral part of the financial statement.

FAYETTE COUNTY  
DONALD W. BLEVINS, COUNTY CLERK  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
For The Year Ended December 31, 2001  
(Continued)

Fees Collected For Services: (Continued)

Other-

Inspection Fees	\$	37,870	
Miscellaneous		<u>12,255</u>	\$ 50,125

Interest Earned			<u>51,608</u>
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Total Receipts			\$ 61,848,264
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Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	4,261,757	
Usage Tax		32,161,355	
Tangible Personal Property Tax		7,478,348	
Licenses, Taxes, and Fees-			
Delinquent Tax		216,502	
Legal Process Tax		<u>451,342</u>	\$ 44,569,304

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	1,087,969	
Delinquent Tax		274,640	
Deed Transfer Tax		<u>1,373,270</u>	2,735,879

Payments to Other Districts:

Tangible Personal Property Tax	\$	7,951,426	
Delinquent Tax		<u>554,885</u>	8,506,311

Payments to Sheriff			13,402
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Payments to County Attorney			250,315
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Operating Disbursements:

Other Charges-

Inspection Fees	\$	37,870	
Miscellaneous		<u>37,490</u>	<u>75,360</u>

The accompanying notes are an integral part of the financial statement.

FAYETTE COUNTY  
DONALD W. BLEVINS, COUNTY CLERK  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
For The Year Ended December 31, 2001  
(Continued)

Total Disbursements		\$	56,150,571	
Net Receipts		\$	5,697,693	
Payments to State Treasurer:				
75% Operating Fund	\$	4,362,383		
25% County Fund		1,335,310	5,697,693	
Balance Due at Completion of Audit		\$	0	

The accompanying notes are an integral part of the financial statement.

FAYETTE COUNTY  
DONALD W. BLEVINS, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
FUND BALANCES OF THE COUNTY CLERK'S OPERATING  
FUND AND COUNTY FUND WITH THE STATE TREASURER

For The Year Ended December 31, 2001

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2001	\$ 1,871,166	\$	\$ 1,871,166
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75% )	4,362,383		4,362,383
Fees Paid to State - County Funds (25% )		1,335,310	1,335,310
Total Funds Available	<u>\$ 6,233,549</u>	<u>\$ 1,335,310</u>	<u>\$ 7,568,859</u>
<u>Disbursements</u>			
Payments To Lexington-Fayette Urban County Government	\$	\$ 1,335,310	\$ 1,335,310
Personnel Services-			
Deputies' Salaries	2,259,822		2,259,822
Employee Benefits-			
Employer's Share Social Security	161,364		161,364
Employer's Share Retirement	150,771		150,771
Employer's Paid Health Insurance	190,134		190,134
Materials and Supplies-			
Office Supplies	66,807		66,807
Other Charges-			
Conventions and Travel	21,815		21,815
Dues	12,690		12,690
Postage	62,396		62,396

The accompanying notes are an integral part of the financial statement.

FAYETTE COUNTY  
DONALD W. BLEVINS, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND  
BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER  
For The Year Ended December 31, 2001  
(Continued)

	75%	25%	
	Operating	County	Totals
	Fund	Fund	
<u>Disbursements</u> (Continued)			
Other Charges- (Continued)			
Rent	\$ 34,822	\$	\$ 34,822
Computer Supplies	3,028		3,028
Telephone	31,731		31,731
Forms	36,952		36,952
Insurance	18,294		18,294
Maintenance and Repairs	29,664		29,664
Software Support	19,294		19,294
Professional Services	33,368		33,368
Advertising	2,437		2,437
Preparing Tax Bills	15,037		15,037
Microfilm and Microfiche	24,120		24,120
Other	31,664		31,664
Capital Outlay-			
Office Equipment	58,684		58,684
Furniture	3,623		3,623
Software	40,542		40,542
Total Disbursements	<u>\$ 3,309,059</u>	<u>\$ 1,335,310</u>	<u>\$ 4,644,369</u>
Fund Balance - December 31, 2001	<u>\$ 2,924,490</u>	<u>\$ 0</u>	<u>\$ 2,924,490</u>

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY  
DONALD W. BLEVINS, COUNTY CLERK  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The Attorney General issued a letter, which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

FAYETTE COUNTY  
DONALD W. BLEVINS, COUNTY CLERK  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2001  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bonds which named the County Clerk as beneficiary/obligee on the bonds.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
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Members of the Fayette County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the Fayette County Clerk for the year ended December 31, 2001, and have issued our report thereon dated April 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fayette County Clerk's financial statements as of December 31, 2001, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fayette County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 18, 2003

